

FIFE SCHOOL DISTRICT NO. 417
Pierce County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Findings

1. District Expenditures Exceeded Available Resources

Included in our audit was an examination of the district's financial statements to determine that they presented fairly the financial position of the district at the end of the fiscal year. We noted that General Fund liabilities exceeded General Fund assets by \$58,619.

When one fund of a municipal corporation incurs liabilities exceeding its assets, causing a negative fund balance position, the assets of other funds are adversely affected. The other funds effectively are forced to make an involuntary interfund loan to the fund with the deficit fund balance.

RCW 43.09.210 prohibits such involuntary loans:

All service rendered by, or property transferred from, one department . . . to another, shall be paid for at its true and fair value by the department . . . and no department . . . shall benefit in any financial manner whatsoever by an appropriation or fund made for the support of another.

This deficit position was caused by at least three factors: a shortfall of revenue as a result of an unexpected drop in enrollment early in the school year, an increase in payroll expenditures due to hiring extra certificated staff in anticipation of enrollment remaining constant, and a failure to consistently monitor budget versus actual figures. The district's corrective action taken during the summer of 1995 could not completely eliminate the excess expenditures or the deficit fund balance.

We recommend that the district correct the General Fund deficit fund balance condition at the earliest opportunity. We further recommend that the district more closely monitor revenues and expenditures to prevent such conditions in the future.

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Schedule Of Federal Findings

1. Incentive Payments Charged To Federal Grant Programs Were Not Adequately Supported

As a part of our annual audit of Fife School District No. 417 for the fiscal year, we examined the district's payments to teachers under supplemental Time, Responsibility and Incentive (TRI) contracts. Our examination revealed that some of these incentive payments had been charged to federal grant programs. The related documentation was reviewed and found to be insufficient to support these charges.

TRI expenditures relating to four teachers were charged to federal grant programs. Unsupported charges totaling \$5,985 were reimbursed under two federal grant programs, Chapter One and Special Education, as identified in the Schedule of Questioned Costs.

Office of Management and Budget Circular A-87, *Cost Principles For State And Local Governments*, Subsection C(1) sets out the requirements for costs charged to federal programs:

To be allowable under Federal awards, costs must meet the following general criteria: . . .

j. Be adequately documented.

Uniform Administrative Requirements for Grant and Cooperative Agreements to State and Local Governments "Common Rule," Subpart C, Subsection 2.0 (B)(2) requires that:

Grantees and Subgrantees must maintain records that adequately identify the source and application of funds provided for financial assistance activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (Emphasis added.)

Subsection 2.0 (B)(6) of the "Common Rule" further amplifies the requirements for sufficiency of source documentation:

Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. (Emphasis added.)

The district's TRI policies require that each employee claiming incentive payments,

regardless of the original source of the funds, complete and sign an "Acknowledgment Form" certifying that they have actually performed the activities they are claiming. Although this signed form contains the clause, "Adequate documentation to certify completion of the above activities must be submitted with acknowledgment form," the district did not enforce this requirement.

Without adequate documentation, the school district and, by extension, the federal grantor agencies, are unable to ensure that they received the educational enhancement services paid for.

We recommend that Fife School District immediately repay to grantor agencies the \$5,985 reimbursement claimed for time, responsibility, and incentive activities charged to the Chapter 1 and Special Education grant programs without adequate supporting documentation. We also recommend that the district improve its accounting procedures in this area to ensure that sufficient documentation is available to support future TRI activity expenditures.